

CATO TOWNSHIP
MONTCALM COUNTY, MICHIGAN
AUDIT REPORT
JUNE 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* CATO TOWNSHIP	County* MONTCALM	Type* TOWNSHIP	MuniCode* 59-1-040
Opinion Date-Use Calendar* Aug 20, 2008	Audit Submitted-Use Calendar* Sep 15, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 237,215.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 199,276.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 253,651.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* TERRY	Last Name* KIRKPATRICK	Ten Digit License Number* 1101018035		
CPA Street Address* 211 MAPLE STREET	City* BIG RAPIDS	State* MI	Zip Code* 49307	Telephone* +1 (231) 796-3332
CPA Firm Name* TERRY KIRKPATRICK, CPA	Unit's Street Address* 211 MAPLE STREET	Unit's City* BIG RAPIDS	Unit's Zip* 49307	

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TERRY KIRKPATRICK, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Township Board
Cato Township, Montcalm County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cato Township, Montcalm County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise Cato Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Cato Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cato Township, Montcalm County, Michigan, as of June 30, 2008, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cato Township, Michigan's basic financial statements. The introductory section, combining and individual non-major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and pages 15 through 17, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
August 20, 2008

Cato Township – Montcalm County, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Cato Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets increased during the year. In a condensed format, the table below shows the net assets as of the current date:

	<u>2008</u>
Current Assets	\$ 348,735
Non-current Assets	33,130
	<u>\$ 381,865</u>
 Total Liabilities	 \$ 1,700
 Net Assets	
Invested in Capital Assets	33,130
Unrestricted	347,035
Total net assets	<u>380,165</u>
 Total liabilities and net assets	 <u>\$ 381,865</u>

The following table shows the changes of the net assets as of the current date:

	<u>2008</u>
General Revenues	
Property Taxes	\$ 161,486
Licenses and Permits	1,387
State Grants	127,472
Charges for Services	2,639
Interest Earnings	14,203
Other Revenue	24,966
Total revenues	<u>332,153</u>
Program Expenses	
General Government	127,168
Public Safety	81,978
Public Works	67,167
Transfer to Honeymoon Heights Assn	1,500
Other Functions	10,295
Depreciation	1,980
Total expenses	<u>290,088</u>
Change in Net Assets	<u>\$ 42,065</u>

The Township's Funds

Our analysis of the Township's major funds begins on page 7, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund, Fire Millage Fund at the Honeymoon Heights S/A Fund.

The General Fund pays for most of the Township's governmental services, which are partially supported by an operating tax millage and State revenue sharing, while the Fire Millage Fund provides for fire protection contract payment and Honeymoon Heights pays for roads, parks and lighting within the special assessment district.

General Fund Budgetary Highlights

Cato Township found it necessary to amend the General Fund budget during the year as various events occurred.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had \$90,000 invested in a broad range of capital assets including buildings and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Montcalm County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township budget for the next fiscal year will be similar to this past years' budget. State revenue sharing has shown declines in recent years and may be so again for the next year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

BASIC FINANCIAL STATEMENTS

Cato Township – Montcalm County, Michigan

Government Wide Statement of Net Assets

June 30, 2008

With Comparative Amounts at June 30, 2007

	June 30,	
	2008	2007
ASSETS		
Cash and Cash Equivalents	\$ 329,193	\$ 217,277
Special Assessments Receivable	0	37,972
Receivables - Other Governmental Units	19,542	49,441
Capital Assets (Net)	33,130	35,110
Total assets	<u>\$ 381,865</u>	<u>\$ 339,800</u>
LIABILITIES		
Accounts Payable	\$ 1,700	\$ 1,700
NET ASSETS		
Invested in capital assets, net of related debt	33,130	35,110
Unrestricted	347,035	302,990
Total net assets	<u>380,165</u>	<u>338,100</u>
Total liabilities and net assets	<u>\$ 381,865</u>	<u>\$ 339,800</u>

The "Notes to Financial Statements" are an integral part of these statements.

Cato Township -- Montcalm County, Michigan
Government Wide Statement of Activities
For the Year Ended June 30, 2008
With Comparative Totals for June 30, 2007

	June 30,	
	2008	2007
	Governmental	
	Activities	
	Net (Expense)	
	Revenue and Changes	
	in Net Assets	
	2008	2007
	Expenses	Operating Grants
	Charges for Services	Program Revenues
PRIMARY GOVERNMENT		
General Government	\$ 127,168 \$	0 \$
Public Safety	81,978	69,778
Public Works	67,167	23,403
Other Functions	10,295	0
Transfer to H H Assn	1,500	0
Depreciation (unallocated)	1,980	0
Total primary government	\$ 290,088 \$	93,181 \$
	0 \$	(196,907) \$
		(202,941)

General Revenues		
Taxes	91,708	88,243
Licenses and permits	1,387	1,160
Charges for services	2,639	4,688
State revenue sharing	127,472	127,980
Interest Earnings	14,203	15,214
Other Revenue	1,563	15
Total general revenues	238,972	237,300
Change in Net Assets	42,065	34,359
Net assets - Beginning of year	338,100	303,741
Net assets - End of year	\$ 380,165 \$	338,100

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Cato Township – Montcalm County, Michigan
 Governmental Fund Balance Sheet
 June 30, 2008
 With Comparative Totals at June 30, 2007

	General Fund	Fire Millage Fund	Honeymoon Heights S/A Fund	Satterlee Road S/A Fund	Governmental Funds	June 30, 2007 Totals
ASSETS						
Cash and Cash Equivalents	\$ 249,390	\$ 41,446	\$ 38,357	\$ 0	\$ 329,193	\$ 217,277
Special Assessments Receivable	0	0	0	0	0	37,972
Due from Other Funds	1,496	7,896	7,181	0	16,573	46,994
Receivable from Other Governments	19,542	0	0	0	19,542	49,441
Total assets	\$ 270,428	\$ 49,342	\$ 45,538	\$ 0	\$ 365,308	\$ 351,684
LIABILITIES AND FUND EQUITY						
Accounts Payable	\$ 1,700	0	0	0	\$ 1,700	\$ 1,700
Due to Other Funds	15,077	1,496	0	0	16,573	46,994
Fund Balance - Unreserved and Undesignated	253,651	47,846	45,538	0	347,035	302,990
Total liabilities and fund equity	\$ 270,428	\$ 49,342	\$ 45,538	\$ 0	\$ 365,308	\$ 351,684
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets					\$ 347,035	\$ 302,990
Total Governmental Fund Balances						
Amounts reported for governmental activities in the statement of net assets are different because:						
capital assets used in governmental activities are not financial resources, and are not reported in the funds.						
Cost of capital assets, net of depreciation					33,130	35,110
Net assets of governmental activities					\$ 380,165	\$ 338,100

The "Notes to Financial Statements" are an integral part of these statements.

Cato Township – Montcalm County, Michigan
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008
With Comparative Totals for June 30, 2007

	General Fund	Fire Millage Fund	Honeymoon Heights S/A Fund	Satterlee Road S/A Fund	Governmental Funds	June 30, 2007 Totals
REVENUES						
Property Tax	\$ 91,708	\$ 69,778	\$ 0	\$ 0	\$ 161,486	\$ 154,302
Licenses and Permits	1,387	0	0	0	1,387	1,160
State Grants	127,472	0	0	0	127,472	127,980
Charges for Services	2,639	0	0	0	2,639	4,688
Interest and Rents	12,462	791	950	0	14,203	15,214
Special Assessments	0	0	23,403	0	23,403	97,822
Other Revenue	1,547	16	0	0	1,563	15
Transfer from General Fund	0	0	0	0	0	8,219
Total revenues	237,215	70,585	24,353	0	332,153	409,400
EXPENDITURES						
General Government	127,168	0	0	0	127,168	130,250
Public Safety	6,078	75,900	0	0	81,978	88,554
Public Works	55,735	0	11,432	0	67,167	130,842
Other Functions	10,295	0	0	0	10,295	13,696
Transfer to Honeymoon Heights Assn.	0	0	1,500	0	1,500	1,500
Transfer to Satterlee S/A	0	0	0	0	0	8,219
Total expenditures	199,276	75,900	12,932	0	288,108	373,061
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,939	(5,315)	11,421	0	44,045	36,339
Fund Balance - July 1,	215,712	53,161	34,117	0	302,990	266,651
Fund Balance - June 30,	\$ 253,651	\$ 47,846	\$ 45,538	\$ 0	\$ 347,035	\$ 302,990

The "Notes to Financial Statements" are an integral part of these statements.

Cato Township – Montcalm County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2008

With Comparative Amounts for June 30, 2007

	June 30,	
	2008	2007
Net Change in Fund Balances - Total Government Funds	\$ 44,045	\$ 36,339
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation expense	(1,980)	(1,980)
Change in Net Assets of Governmental Activities	\$ 42,065	\$ 34,359

The "Notes to Financial Statements" are an integral part of these statements.

Cato Township – Montcalm County, Michigan

Fiduciary Fund

Statement of Net Assets

June 30, 2008

With Comparative Amounts at June 30, 2007

	<u>Agency Fund Type</u>	
	<u>Property Tax Collection Fund</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES		
Due to Taxpayers	\$ 0	\$ 0
Due to General Fund	<u>0</u>	<u>0</u>
Total liabilities	<u>\$ 0</u>	<u>\$ 0</u>

The "Notes to Financial Statements" are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Cato Township – Montcalm County, Michigan

Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cato Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Cato Township:

Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Cato Township's property tax is levied on each December 1st on the taxable valuation of property located within Cato Township as of the preceding December 31st.

Cato Township – Montcalm County, Michigan

Notes to Financial Statements - Continued

For the Year Ended June 30, 2008

Although the Cato Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is Cato Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2007 taxable valuation of Cato Township totaled approximately \$73,958,000, on which ad valorem taxes levied consisted of .7827 mills for the Township operating purposes and an additional .938 mills for fire protection. These amounts are recognized in the respective General and Fire Millage Fund financial statements as Due from Montcalm County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Fire Millage Fund is used to record property tax and interest for expenditures to the Lakeview District Fire Department for fire protection.

The Honeymoon Heights Fund is used to record special assessments for road improvements and street lighting of the special assessment district.

The Satterlee Road Fund is used to record special assessments for road improvement. This was spread over a two-year period.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and are considered delinquent on March 1st of the following year, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
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Cato Township – Montcalm County, Michigan

Notes to Financial Statements - Continued
For the Year Ended June 30, 2008

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 329,193

The bank balance of the primary government's deposits is \$333,258, of which \$200,000 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	<u>General</u>	<u>Fire</u>	<u>Honeymoon Heights</u>	<u>Satterlee Road</u>	<u>Total</u>
State revenue sharing	\$ 19,542	\$ 0	\$ 0	\$ 0	\$ 19,542

Cato Township – Montcalm County, Michigan
Notes to Financial Statements - Continued
For the Year Ended June 30, 2008

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Capital assets being depreciated				
Buildings	85,000	0	0	85,000
Less Accumulate depreciation for Capital assets	(54,890)	(1,980)	0	(56,870)
Net capital assets	\$ 35,110	\$ (1,980)	\$ 0	\$ 33,130

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE F – INTERFUND RECEIVABLES and PAYABLES

Receivable Fund	Payable Fund	Amount
General	Fire Millage	\$ 1,496
Fire Millage Fund	General Fund	7,896
Honeymoon Heights S/A	General	7,181

NOTE G – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE H – SATTERLEE ROAD S/A FUND

The total cost of the Satterlee Road Project was \$82,190.75. The Township Board agreed to pay 10% of this cost and the remainder was to be paid by special assessments applied over a two-year period. At year end the special assessment fund owes \$45,171.67 to the General Fund which is comprised of the 2007 delinquent assessments of \$7,200.00 plus the remaining special assessment to be collected in 2008 for the remaining costs advanced by the General Fund. This project has now been completed.

REQUIRED SUPPLEMENTAL INFORMATION

Cato Township – Montcalm County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

With Comparative Actual Amounts for June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)	June 30, 2007 <u>Actual</u>
REVENUES					
Property Tax	\$ 84,100	\$ 84,100	\$ 91,708	\$ 7,608	\$ 88,243
Licenses and Permits	1,600	1,600	1,387	(213)	1,160
State Grants	123,850	123,850	127,472	3,622	127,980
Charges for Services	3,100	3,100	2,639	(461)	4,688
Interest and Rents	10,400	10,400	12,462	2,062	13,228
Other Revenue	1,100	1,100	1,547	447	1
Total revenues	224,150	224,150	237,215	13,065	235,300
EXPENDITURES					
General Government					
Township board	52,800	52,300	27,845	24,455	30,661
Supervisor	10,500	10,500	10,100	400	10,010
Elections	5,200	5,200	2,391	2,809	3,686
Assessor	26,500	26,500	22,215	4,285	22,114
Clerk	27,100	27,100	23,773	3,327	23,347
Board of review	2,100	2,100	1,368	732	1,080
Treasurer	30,200	30,200	26,149	4,051	26,217
Townhall	13,100	13,100	7,962	5,138	7,305
Cemetery	10,300	10,300	5,365	4,935	5,830
Public Safety					
Liquor law enforcement	500	500	0	500	192
Planning and zoning	7,900	7,900	6,078	1,822	5,820
Public Works					
Highways, streets & bridges	65,000	63,000	41,430	21,570	34,392
Drains - public benefit	14,000	14,500	14,305	195	1,132
Other Functions					
Social security/ medicare tax	6,400	6,400	5,270	1,130	5,280
DDA tax rebate	8,500	8,500	5,025	3,475	8,416
Transfer to Satterlee Road S/A	0	0	0	0	8,219
Total expenditures	280,100	278,100	199,276	78,824	193,701
Net changes in fund balance	(55,950)	(53,950)	37,939	91,889	41,599
Budgetary Fund Balance - July 1,	215,712	215,712	215,712	0	174,113
Budgetary Fund Balance - June 30,	\$ 159,762	\$ 161,762	\$ 253,651	\$ 91,889	\$ 215,712

Cato Township – Montcalm County, Michigan

Budgetary Comparison Schedule

Fire Millage Fund

For the Year Ended June 30, 2008

With Comparative Actual Amounts for June 30, 2007

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)	June 30, 2007 <u>Actual</u>
REVENUES					
Current Property Tax	\$ 61,601	\$ 61,601	\$ 69,778	\$ 8,177	\$ 66,059
Interest and Rents	200	200	791	591	1,246
Other Revenue	0	0	16	16	14
Total revenues	61,801	61,801	70,585	8,784	67,319
EXPENDITURES					
Public Safety					
Fire Protection	54,000	76,000	75,900	100	82,542
Net change in fund balance	7,801	(14,199)	(5,315)	8,884	15,223
Budgetary Fund Balance - July 1,	53,161	53,161	53,161	0	68,384
Budgetary Fund Balance - June 30,	\$ 60,962	\$ 38,962	\$ 47,846	\$ 8,884	\$ 53,161

Cato Township – Montcalm County, Michigan

Budgetary Comparison Schedule

Honeymoon Heights S/A Fund

For the Year Ended June 30, 2008

With Comparative Actual Amounts for June 30, 2007

	Original <u>Budget</u>	Actual <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)	June 30, 2007 <u>Actual</u>
REVENUES					
Interest and Rents	\$ 300	\$ 300	\$ 950	\$ 650	\$ 740
Special Assessments	22,600	22,600	23,403	803	23,850
Total revenues	22,900	22,900	24,353	1,453	24,590
EXPENDITURES					
Public Works					
Transfer to H H Assn.	0	0	1,500	(1,500)	1,500
Highways and streets	19,500	19,500	11,432	8,068	13,127
Total expenditures	19,500	19,500	12,932	6,568	14,627
Net change in fund balance	3,400	3,400	11,421	8,021	9,963
Budgetary Fund Balance - July 1,	34,117	34,117	34,117	0	24,154
Budgetary Fund Balance - June 30,	\$ 37,517	\$ 37,517	\$ 45,538	\$ 8,021	\$ 34,117

Cato Township – Montcalm County, Michigan

Budgetary Comparison Schedule

Satterlee Road S/A Fund

For the Year Ended June 30, 2008

With Comparative Actual Amounts for June 30, 2007

	<u>Original Budget</u>	<u>Actual Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	<u>June 30, 2007 Actual</u>
REVENUES					
Special Assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,972
Transfer from General Fund	0	0	0	0	8,219
Total revenues	0	0	0	0	82,191
EXPENDITURES					
Public Works					
Highways and streets	0	0	0	0	82,191
Net change in fund balance	0	0	0	0	0
Budgetary Fund Balance - July 1,	0	0	0	0	0
Budgetary Fund Balance - June 30,	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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August 20, 2008

Members of Cato Township Board
Montcalm County, Michigan

I have recently completed my audit of the basic financial statements of Cato Township for its year ended June 30, 2008. During this audit, I had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of my auditing procedures, there are some comments and/or recommendations I would like to present.

GOOD JOB OF MAINTAINING FINANCIAL RECORDS

Once again it appeared that the Township Clerk and Treasurer did a very good job of maintaining the Township financial records. Keep up the good work.

OTHER MATTERS

I want to thank your personnel for the courtesy and cooperation shown me by them during the audit process.

I have mailed two copies of the audit report and this letter to the Michigan Department of Treasury.

You have been given the completed copy of the Form F-65, which the Clerk must sign and mail to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact me.

Terry Kirkpatrick CPA, P.C.